

Jack O'Connell, Chair

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AGENDA

Saturday, May 18, 2002

5:00 p.m. — Room 4202

PART I

Page

1. California State Library	1
2. Higher Education	1
A. California Postsecondary Education Commission.....	1
B. California Student Aid Commission	2
C. University of California.....	3
D. California State University.....	5
E. California Community Colleges	5

PART II

I. K-12 Apportionments.....	9
II. Governor's Initiatives	10
III. Mandates	12
IV. Child Care and After School Programs	13
V. No Child Left Behind	14
VI. California Department of Education — State Operations	20
VII. California Department of Education — Local Assistance.....	21
VIII. Special Education	25
IX. Restorations and Additional Reductions.....	29
X. Trailer Bill Language.....	29

PART III

Consent	Consent-1
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1. California State Library

1. **May Revision – Item 6120-150-0001. Decrease Funding for Civil Liberties Public Education Grants (Action Item).** The Governor's May Revision proposes to decrease funding for this item by \$750,000, leaving \$250,000 in the program.

The California Public Civil Liberties Public Education Program was created in 1999 to provide competitive grants for public educational activities and the development of educational materials to ensure that the events surrounding the exclusion, forced removal and incarceration of Japanese Americans will be remembered and so that causes and circumstances of this and similar events may be illuminated and understood. Staff recommends that the reduction be approved; however, if the committee wishes to restore funding for this program, staff would recommend that it redirect approximately \$375,000 in one-time Proposition 98 funds to the State Library, for dissemination to school districts in order to support K-12 curriculum development related to the internment of Japanese Americans.

Action:

2. Higher Education

A. California Postsecondary Education Commission (CPEC)

1. **May Revision – Item 6420-001-0001. CPEC Support Budget (Issues 100 and 102).** Decrease funding by \$2,800,000 to reflect elimination of 39.7 positions and related operating expenses and equipment, with accompanying provisional language, and the elimination of TERADATA services received from the Teale Data Center (an action already taken by this committee).

Citing the continued weakness in the stock market and the economy, the Governor's May Revision proposes an 84 percent reduction to the California Postsecondary Education Commission. Department of Finance states that this reduction is consistent with its goal to not impact direct instructional services for students.

The proposed reduction leaves the California Postsecondary Education Commission (CPEC) with three positions and \$500,000, which would support the Commission members and the remaining staff. While the May Revision does not propose eliminating the Commission (no trailer bill language accompanies this reduction), the budget cut would not allow for CPEC to continue to fulfill its statutory responsibilities.

Staff recommends that the committee restore full funding and reinstate the 39.7 positions.

The committee may also wish to consider allocating the funding as follows: (a) \$1,352,000 and 19.9 positions for the restoration of partial year funding (through December 31, 2002), in order to allow the Legislature and the Administration to assess both the May Revision reduction as well as recommendations - put forth by the Joint Committee to Develop a Master Plan for Education – related to current CPEC functions or the development of a successor agency; and (b) the remaining

\$1,352,000 and 19.8 positions are contingent upon the passage of Legislation to reform and/or reconstitute CPEC.

Action:

B. California Student Aid Commission

The Governor's May Revision proposes to decrease the amount of funding available in grants and work-study for financially-needy students. Specifically, the May Revision Proposes to eliminate all funding for the California Work Study Program and significantly reduce funding for both the Cal Grant C and Cal Grant T programs, as discussed below. Staff notes that, within the total reduction amount of \$12.3 million, the Student Aid Commission would be supportive of reallocating the cuts among the programs, while staying at the \$12.3 million reduction level.

1. **May Revision – Item 7980-101-0001. California Work Study Program (Issue 102).** The California Work Study Program assists students by placing them in employment settings which will enable them to pay a portion of their educational costs. Recipients are placed in jobs either (1) related to their course of study or career interest, or (2) providing tutoring to elementary or secondary students. This program currently operates in 40 institutions and employers must provide a portion of the students' salaries. Staff notes that without this financial aid option, students will be taking out more student loans and incurring additional debt.

The Governor's May Revision proposes to eliminate funding for the California Work Study Program, with accompanying Budget Bill Language, for a General Fund savings of \$5,263,000. Staff recommends that the committee approve funding to restore this program. Of this amount, \$2.013 million would be redirected from the Cal Grant T program and \$3.25 million would be a one-time augmentation.

Action:

2. **May Revision – Item 7980-101-0001. Cal Grant C Program (Issue 103).** The Cal Grant C program provides financially needy students preparing for vocational or occupational careers with tuition and/or fee support as well as additional support for training-related costs (i.e., books and materials). Unlike the Cal Grant A and B programs, which require students to be pursuing a baccalaureate degree, the Cal Grant C program is the only state-supported grant program that provides funds for students enrolled in shorter term vocational programs. Of the Cal Grant C participants, approximately 60 percent are enrolled at the Community Colleges and the remainder attend private vocational schools.

The Governor's May Revision proposes to decrease funding for the Cal Grant C program by \$4 million to reduce the number of new Cal Grant C awards from 7,761 awards to 4,796 awards, with accompanying Budget Bill language. Given the condition of the state economy, which tends to result in an increased need for shorter-term vocational training, staff recommends that the committee restore \$4 (in one-time funds) for the Cal Grant C program.

Action:

3. **May Revision – Item 7980-101-0001. Cal Grant T Program (Issue 104).** The Cal Grant T program provides tuition and fee funding for financially and academically eligible students to attend a teacher credentialing program. Recipients are required to teach for one year in a low-performing school for each \$2,000 incentive received, for a maximum period of four years. Any recipient who does not fulfill the teaching obligation is required to repay the award. The Student Aid Commission has indicated that this program is presently underutilized.

The Governor's May Revision proposes to decrease funding for the Cal Grant T program by \$3 million to reduce the number of new Cal Grant T awards from 2,495 awards to 1,746 awards, with accompanying Budget Bill language. Staff recommends that the May Revision reductions proposed for this program be approved and that the program further be reduced by \$2,013,000 in order to redirect funds to the California Work-Study program.

Action:

C. University of California

1. **May Revision – Item 6440-001-0001. State-Supported Research (Issue 109).** As part of the May Revision, the Governor proposes reducing state-supported research by \$32,080,000, which leaves \$288,719,000 in ongoing funds in this item for this purpose. Specifically, the May Revision proposes to allow the University to determine the amount of each individual research program reduction, but specifically targets those research projects identified in provisional language and scheduled "set-asides" in the Budget Act. Under the proposed provisional language, the following research programs, among others, would be open for reductions: Substance Abuse Research; AIDS Research; Labor Studies Research; Neurodevelopmental Disorders (MIND Institute); Medical Marijuana Research; Spinal Cord Injury Research Welfare Policy Research; Lupus Research; Viticulture Research; San Diego Supercomputer Research. Specifically, the May Revision proposes to add the following provision:

26. Notwithstanding any other provision of law:

- (a) each individual research program funded as specified in Provisions (12), (13), (14), (17), (19), (20), (21), (22), (23), and (25), shall be reduced by the University, at its discretion, by not less than 6 percent and not more than 30 percent.
- (b) At the discretion of the University, at least 6 percent, but not more than 30 percent, of the amounts specified in Schedules (5), (6) and (9), shall be transferred to Schedule (1) for the purposes of research.
- (c) any individual research program funded through Schedule (1), other than those identified in Provision 26 (a), shall be funded, at the University's discretion, at a level that is at least 70 percent but not more than 94 percent of the level funded in 2001-02.

Staff recommends that the committee adopt the \$32 million reduction in research, with alternative provisional language as follows:

26. *Notwithstanding any other provision of law:*

- (a) Of the amount appropriated in Schedule (1) \$288,719,000 is for research.*
- (b) Each of the individual research programs specified in Provisions (12), (13), (14), (17), (19), (20), (21), (22), (23), and (25), shall be fully-funded in the 2002-03 fiscal year.*
- (c) Each of the individual research programs specified in Schedules (5), (6) and (9) shall be fully-funded in the 2002-03 fiscal year.*
- (d) In order to meet the requirements of this provision, the University of California, at its discretion, will reduce those research programs not otherwise identified in this item by \$32,080,000.*

Action:

2. **May Revision – Item 6440-001-0001. Student Outreach Reductions.** The Governor's May Revision proposes reductions totaling \$28.4 million from UC student outreach programs. The Governor's proposal retains \$17.5 million in support for the MESA, Puente and Early Academic Outreach Programs; \$4.5 million for outreach to community college students; \$1.5 million for outreach program evaluation; and \$750,000 for short-term yield efforts.

Specifically, the May Revision proposes reducing the following outreach programs:

UC College Preparatory Initiative (Issue 101). Reduce by \$8,438,000 to eliminate this program.

Arts Bridge (Issue 102). Reduce by \$750,000 to eliminate this program (with conforming Budget Bill language changes.)

ACCORD-Outreach Research (Issue 105). Reduced by \$509,000 to eliminate funding for this program.

K-12 School-University Partnerships (Issue 106). Reduce by \$12,013,000 to eliminate this program, with accompanying Budget Bill language changes.

Central Valley Outreach Programs (Issue 103). Reduce by \$1,937,000 to eliminate this program, with accompanying Budget Bill language changes.

Graduate and Professional School Programs (Issue 104). Reduce by \$4,711,000, leaving \$1 million in ongoing funds to continue these programs, with accompanying Budget Bill language.

Staff recommends that the committee adopt the reduction of \$28.4 million, as specified in the May Revision.

Action:

D. California State University

1. **May Revision – Item 6610-001-0001 California State University – Student Fee Revenue (Issues 100 and 101).** The Governor’s May Revision proposes to increase by \$16,908,000 CSU’s expenditure authority to reflect increased student fee revenues associated with enrollment growth and a 15 percent fee increase in non-resident fees. The increase in non-resident tuition was recently approved by the CSU Trustees and the revenue derived from the increase will be used to fund faculty salary increases approved in the most recent CSU – California Faculty Association contract. Staff recommends that this action be approved.
2. **May Revision – Item 6610-001-0001. California State University. Information Technology, Instructional Equipment, Library Materials and Deferred Maintenance Programs (Issue 102).** The Governor’s May Revision proposes reducing funding for these items, on a one-time basis, by \$43.0 million. In response to concerns by the California Faculty Association (CSU’s Faculty Union), staff recommends that the reduction be adopted and that the committee adopt provisional language specifying that the \$43 million reduction impact the four programs intended. Proposed language is as follows:

It is the intent of the Legislature that the \$43 million in one-time funding reductions included in this item be allocated in the following programs: Information Technology, Instructional Equipment, Library Materials, and Deferred Maintenance.

Action:

3. **Item 6610-001-0001. California State University. Supplemental Report Language Related to Faculty Compensation.** In response to concerns raised by the California Faculty Association related to the amount of funding available for employee compensation, staff recommends that the committee adopt the following Supplemental Report Language:

It is the intent of the Legislature that all money allocated for faculty compensation be spent on faculty compensation in accordance with the collective bargaining agreement. After compensation and benefit increases are processed and annualized for the full fiscal year, if the revised estimate of cost is below the funding appropriated for the compensation pool (salaries and associated benefits) the difference in dollars will be expended on faculty related items and CSU shall report to the Legislature by October 1, 2003 on such expenditure(s).

Action:

E. California Community Colleges

1. May Revision – Item 6870-101-0001. Increase Funding for CalWORKs Services (Issue 016).

The Governor's May Revision proposes to increase the amount of funding available for services to CalWORKs recipients from zero to \$20,000,000, and require a \$1 district match for every \$1 provided by the State. Staff recommends that the May Revision letter be adopted and further augmented by \$10 million in one-time Proposition 98 funds. Further, staff recommends that the proposed Budget Bill Language be amended, as follows, to alter the reporting date:

“...As a condition of receipt of the funds appropriated in Schedule (10), by the fourth week following the end of the semester or quarter term commencing in January 2003, each participating community college shall submit to the chancellor's office a report, in the format specified by the chancellor, in consultation with the Department of Social Services, that includes but may not be limited to the funded components, the number of hours of child care provided, average monthly enrollment of CalWORKs dependents served in child care, the number of work study hours provided, the hourly salaries and type of jobs, the number of students being case managed, the short-term programs available, student participation rates, and other outcome data. It is intended that, to the extent practical, reporting from colleges utilize data gathered for federal reporting requirements at the state and local level. Further, it is intended that the chancellor's office compile the information for annual reports to the Legislature, the Governor, the Legislative Analyst, and the Departments of Finance and Social Services by ~~October~~ November 15 of each year as specified in the annual Budget Act.

...Prior to allocation of funds for postemployment services, the chancellor shall first secure the approval of the Department of Finance for the allocations; complete a cumulative report on the outcomes, activities, and cost effectiveness of the program no later than ~~October~~ November 15, 2002, in compliance with the Budget Acts of 1998, 1999 (Ch. 324, Stats. 1998 and Ch. 50, Stats. 1999) and this act, and shall provide the rationale and justification for the proposed allocation of postemployment services to districts for transitional students.”

Action:**2. Item 6870-101-0001. Economic Development Program. Provisional Language Change.** As discussed earlier in the year, this committee asked the Community College Chancellor's Office to provide Provisional language to re-allocate the \$9.9 million reduction for the Economic Development program as proposed in the Governor's January budget. In response, staff recommends that the committee adopt the following provisional language changes:

23. Of the funds provided in Schedule (22) of this item for the Economic Development Program:

(a) No ~~more~~ less than ~~\$9,186,300~~ \$17,536,000 shall be allocated for grants for regional business resources assistance and innovation Network Centers.

(b) No ~~less~~ more than ~~\$16,387,000~~ \$7,537,000 shall be allocated for Industry Driven Regional Education and Training Collaboratives. These grants shall be made on a competitive basis and the award amounts shall not be restricted to any predetermined limit, but rather shall be funded on their individual merits.

(c) No more than ~~\$3,649,000~~ \$4,149,000 shall be allocated for statewide network leadership, organizational development, coordination, information and support services, or other program purposes.

(d) \$5 million shall be available for Job Development Incentive Training programs focused on job creation for public assistance recipients. Any annual savings from this subdivision shall only be available for expenditure for one-time activities listed under subsection (j) of Section 88531 of the Education Code.

(e) No more than \$2.1 million shall be allocated for Mexican International Trade Centers operated consistent with the requirements of Section (a) of Chapter 959, Statutes of 1999.

(f) \$4.0 million shall be used to continue enrollment growth provided for community college nursing programs pursuant to Section 2(a)(2) of Chapter 514, Statutes of 2001.

(g) The following provisions apply to the expenditure of funds within subdivisions (a) and (b) above: Funds allocated for centers and regional collaboratives shall seek to maximize the use of state funds for subdivisions (g) through (j) of Section 88531 of the Education Code. To retain maximum flexibility and preserve the infrastructure of the program during periods of budget uncertainty and respond to emerging needs for curriculum development, faculty in-service and workforce training; adjustments in the allocations (a) through (f) may be made by the Chancellor pursuant to the annual expenditure plan for the program adopted by the Board of Governors as authorized in Education Code Sections 88500 through 88550. Funds allocated to districts for purposes of subdivisions (g) and (i) of Section 88531 of the Education Code for performance-based training and student internships shall be Matched by a minimum of one dollar of private business and industry funding for each one dollar of state funds. Funds allocated for purposes of subdivision (h) of Section 88531 of the Education Code for credit and noncredit instruction may be transferred to Schedules (1) or (3) to facilitate distribution at the chancellor's discretion. ~~Any funds that become available from Network Centers due to savings, discontinuance or reduction of amounts shall first be made available for additional allocations in subdivision (b) above to increase the level of subsidized training otherwise available.~~

(h) Funds allocated by the board of governors under this provision shall not be used by community college districts to supplant existing courses or contract education offerings. The chancellor shall ensure that funds are spent only for expanded services and shall implement accountability reporting for districts receiving these funds to ensure that training, credit, and noncredit programs remain relevant to business needs. Programs that do not demonstrate continued relevance and support by business shall not be eligible for continued funding. The board of governors shall consider the level of involvement and financial commitments of business and industry as primary factors in making awards. The chancellor shall incorporate grant requirements into its guidelines for audits of Economic Development grants.

Action:

3. **Item 6870-101-0001. California Community Colleges. Ability to Carry Forward Unused Funds from Current Year.** Given the \$101.7 million in reductions to community colleges categorical programs (CalWORKS, Matriculation, Faculty/Staff Development; Economic Development; Fund for Student Success; and Telecommunications and Technology), the community colleges are requesting that a "reappropriation" provision be added to the Budget Bill.

This provision would allow the community colleges to “carry forward” any unexpended funds from categorical programs and use those funds, in the following fiscal year, to backfill the reductions in the CalWORKS, Matriculation and Faculty and Staff Development Programs. Specifically, the language proposed is as follows:

Add Item 6870-490 -- Reappropriation, California Community Colleges.
Notwithstanding any other provision of law, the balances as of June 30, 2002 of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriations and shall be available for encumbrance and expenditure until June 30, 2003:

0001 – General Fund

(1) Item 6870-101-0001, Budget Act of 2001 (Ch. 106, Stats. 2001)

Provisions:

1. Not to exceed \$20,000,000, the fund reappropriated in this item from Item 6870-101-0001, Budget Act of 2001 (Chapter 106, Statutes of 2001) shall be available for Special Services for CalWORKS recipients, Matriculation, and Faculty and Staff Development.

Action:

4. **Item 6870-101-0001. California Community Colleges – Trailer Bill Language: Automatic Property Tax Backfill.** The committee may wish to consider adopting, or recommending to the Senate Education Committee that it adopt or approve Trailer Bill Language to ensure that community college districts, in the aggregate, receive budgeted levels of total general purpose funding, even if budget estimates of property tax income prove to be incorrect. Specific language would provide for the annual estimate and confirmation of community college property tax revenues and provide for the transfer of funds between the General Fund and the State School Fund in order to adjust total allocations to community colleges in the event that budget estimates either under-or over-estimate local property taxes.

Action:

I. K-12 Apportionments

A. **Proposition 98 Guarantee.** The May Revision proposes total Proposition 98 General Fund spending of \$31.5 billion, or 41.1 percent of the General Fund budget. For 2002-03 the Proposition 98 minimum guarantee is established at the “Test 2” level, which adjusts the prior guarantee level for attendance growth and the change in per capita personal income. The May Revision reflects a \$1.184 increase in the Test 2 minimum level over the Governor’s January 10 estimate; \$848 million of which is the General Fund share of the increase; \$335 million of which is the projected increase in local property taxes allocated to education. Of the latter amount, \$115 million is attributed to a May Revision proposal to establish Education Revenue Augmentation Fund allocations for multi-county special districts and redevelopment agencies. Current law exempts these multi county entities from property tax assessment.

The May Revision proposes to fully fund the Test 2 level including full repayment of the maintenance factor of \$3.9 billion. All but \$870 million of the maintenance factor was required to be repaid in 2002-03.

The May Revision proposed spending \$7,186 per pupil in 2002-03; and increase of 8.6 percent over 2001-02 after current year adjustments.

B. **Cost Of Living Adjustment (COLA).** The May Revision adjusts the K-12 COLA amounts provided in the Governor’s January 10, budget to reflect the recalculation of the statutory rate from 2.15 percent to 1.66 percent. The resulting change lowers the funding for various categorical programs by \$12.0 million. However, general purpose apportionments for districts and county offices of Education and special education are funded at a higher rate of 2 percent, for which \$107.6 million is provided in the May Revision. Staff recommends that the committee adopt all COLA changes with the exception of the ROC/ROP program, and instead adopt provisional language as follows:

The Superintendent shall transfer as necessary from the ROC/ROP growth item, to the ROC/ROP COLA item, in order to provide a two percent COLA. The total amount provided for the COLA augmentation shall not exceed the total amount allocated to the ROC/ROPs for both growth and COLA combined.

C. **Proposal to Fund the General Fund Share of the Proposition 98 Guarantee. (Informational Only)** The May Revision proposes, through separate current year special legislation, to **“defer” \$1.15 billion** in undisbursed 2001-02 General Fund appropriations until 2002-03. These appropriations will be counted toward the 2002-03 Proposition 98 minimum guarantee without incurring any program reductions. This does not effect the state’s ability to meet the statutory Test 3 minimum guarantee in the current year since the current year guarantee was funded substantially above the Test 3 minimum. However, it does create a higher maintenance factor which is fully funded in 2002-03. An additional **\$503 million** (the components of which are identified in the agenda as a **“fund shift”**) in current year savings are realized by funding this amount of current year Adult education appropriations with Proposition 98 Reversion Account funds—which do not count toward the guarantee since by definition, they were previously appropriated and counted. The current year funds—which, if “freed up,” as proposed, by special legislation before the end of the fiscal year—can be used for other General Fund purposes in the budget year. An additional \$66 million of savings captured in the current year brings the total current year savings to \$1.74 billion.

II. Governor's Initiatives

A. Instructional Materials (Fund Shift).

1. Shift Funding and Reduce One-time School Library Materials Grants, 6110-149-0001,

(Issue 463) The May Revision proposes that Item 6110-149-0001 be increased by \$80,000,000 to shift funding from Proposition 98 Reversion Account to Proposition 98 General Fund and reduce one-time school library funding by \$20,000,000. Also, the following provisional language is proposed to be added as follows. Staff recommends rejecting the May Revision proposal and instead reducing the item by \$49 million and revising the proposed language as indicated by the "strikeouts" The amount appropriated by this item will be used as a "balancer" for Proposition 98 in the Budget Year.

Provisions:

The funds appropriated in this item are provided ~~on a one-time basis~~ to the State Department of Education for allocation to school districts and charter schools to purchase library books for school libraries or K-4 classroom libraries, in accordance with Provision 2. ~~Future school library materials funding will be provided through the Instructional Materials Block Grant.~~

The State Department of Education shall apportion funds appropriated by this item on the basis of an equal amount per enrolled pupil for Kindergarten and grades 1-12, as certified by the Superintendent of Public Instruction based on the 2001 California Basic Education Data System (CBEDS) data, excluding summer school, and adult and regional occupational program and center enrollment.

Subcommittee #1 Action:

2. Shift Funding and Reduce One-time Instructional Materials Grants, 6110-189-0001,

(Issue 462). The May Revision proposes that this Item be increased by \$150,000,000 to shift funding for one-time instructional materials costs from Proposition 98 Reversion Account to Proposition 98 General Fund and reduce the allocation by \$50,000,000. In addition, it is also requested that (1) Item 6110-189-0001 be scheduled to identify its ongoing and one-time components, (2) a technical adjustment be made to stipulate that the funding flows through the Instructional Materials Fund, and (3) Provision 1 be amended and that Provisions 2 and 3 be added to Item 6110-189-0001 to conform to this action. It is further proposed that Item 6110-189-0001 be amended as follows:

"6110-189-0001—For local assistance, Department of Education (Proposition 98), for transfer to the Instructional Materials Fund, Program 20 Instructional Support

.....250,000,000 400,000,000

Schedule:

(1) 20.20.020.005—Instructional Materials Block Grant.....250,000,000

(2) 20.20.020.006 --One-time Instructional Materials Grants.....150,000,000

Provisions:

1. ~~Funds appropriated by this item~~ The funds in Schedule (1) shall be allocated to school districts to purchase standards-aligned instructional materials, pursuant to legislation enacted during the 2002-03 Regular Session.

2. The funds in Schedule (2) shall be provided on a one-time basis to the State Department of Education for allocation to eligible school districts and charter schools based on an equal amount per pupil enrolled in Kindergarten and grades 1-12 in eligible districts, for the purchase of standards-aligned instructional materials, in accordance with Provision 3.

3. To be eligible to receive funding under Schedule (2) of this item, a local education agency must certify to the State Department of Education within six weeks of enactment of this Act, or prior to the beginning of the 2002 school year, whichever is later, that it will purchase a standards-aligned and adopted Reading/Language Arts textbook or basic instructional materials, as defined in Education Code Section 60010(a), for each pupil by June 30, 2003.”

Staff recommends that the committee reject the proposed provisional language and approve the appropriation, pursuant to legislation.

Subcommittee #1 Action:

B. Independent Study

1. Independent Study 10 percent Revenue Limit Reduction. The Governor’s January 10, budget proposed a 10 percent, non-waivable reduction in funding for non-charter school students served through non-classroom-based, or “independent” study. The reduction is to be implemented by counting a full day of independent study as nine-tenths of an ADA, thereby reducing funding for revenue limits and ADA-based categorical programs. **The estimated General Fund savings of this proposal is \$23.1 million**

2. County Offices of Education Independent Study, 6110-608-0001, (Issue 310)

The May Revision notes that the appropriation related to the independent study proposal is estimated to be decreased by \$10,398,000 to reflect additional savings associated with limiting revenue limit reimbursements for students served through independent study programs.

The Administration’s revised Jan 10 proposal to reduce by 10 percent funding for non-charter school students served through independent study programs includes, in the same Education Code section, the funding for County Community School’s “Type C” kids participating in an independent study program. A provision is also included to reduce the County Community School funding level for these “Type C” kids to that of the participating student’s district of residence. The DOF estimates that the **General Fund savings attributed to both components of the County Community school reduction will be approximately \$14.6 million.**

The provisions for both the above proposals are included in AB 3005, the annual Education Omnibus Trailer bill. The Assembly Education Committee rejected the entire independent study program reduction proposal. The Subcommittee, on April 3rd, denied the proposed reductions for County Community Schools but left the proposed 10 percent non-charter school independent study program reduction (\$23.1 million) “open.”

Staff recommends rejecting both the Governor’s January budget proposal and the May Revision proposal.

Subcommittee #1 Action:

C. Reading Awards Incentive Programs (Delay) 6110-147-0001, (Issue 465).

The May Revision proposes that this Item be reduced by \$4,000,000 to delay the Governor’s Reading Awards program for one year. It is further proposed that the schedule and provisions be technically amended to conform to this action, as follows:

“6110-147-0001—For local assistance, Department of Education (Proposition 98), Program 20.50 Instructional Support: California Reads Program ~~Reading Awards Program established by Article 2 (commencing with Section 53050) of the Education Code~~.....4,750,000 750,000

Schedule:

(1) 20.50.001 Reading Awards Program.....4,000,000
 (2) 20.50.002 California Reads Program.....750,000

Provisions:

1. ~~The funds appropriated in Schedule (1) of this item shall be used for the Reading Awards Program established by Article 2 (commencing with Section 53050) of Chapter 16 of Part 28 of the Education Code.~~
2. The funds appropriated in ~~Schedule (2)~~ of this item shall be used for the California Reads Program.”

Staff recommends that the committee approve the May Revision reduction and further delete the remaining \$750,000 from the item.

Subcommittee #1 Action:

III. Mandates

A. School Bus Safety II Mandate. The Governor’s 2002-03 Budget proposes to delay the budget year reimbursement appropriation (\$66.7 million) for the School Bus Safety II mandate and also suspend five other education mandates (\$23.0 million) for a total of \$89.7 million. The Budget assumes that this \$89.7 million is “freed up” for use for other K-14 educational purposes proposed in the Governor’s 2002-03 Budget. It should be noted that the “deferral” of the School Bus Safety II mandate does not free local agencies from the need to comply with the mandate’s requirements. The proposed “suspension” for the other five mandates would make the requirements “permissive.” Suspension of a mandate requires a statutory change. The Administration proposes to effect these changes in AB 2995 (Assembly Budget Committee), a budget trailer bill designated for this purpose. The state will be required to eventually pay any unfunded mandate liabilities (with interest, at the Pooled Money Investment Account rate—about 3 percent) through future budget acts. By 2001-02 the liability had grown to \$290 million for this mandate with an estimated annual cost of \$66.7 million.

The following language is provided to suspend the School Bus Safety II Mandate in the budget year:

Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of \$0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 2002-03 fiscal year:

- (1) School Bus Safety II (Chapter 624, Statutes of 1992; Chapter 831, Statutes of 1994; and Chapter 739, Statutes of 1997)

Staff recommends that the committee adopt the trailer bill language shown above.

Subcommittee #1 Action:

B. School Crimes Reporting II Mandate. The Governor's Budget provides \$7.5 million (Proposition 98) for reimbursement of the costs of complying with school crime reporting mandates. The annual budget also provides \$1.5 million from the General Fund (non Proposition 98) for CDE's costs of administering the school crime report requirements.

1. LAO Review of School Crime Report Methodology. The LAO recently released a report to the Legislature, as required in the 2001-02 Budget Act, in which it reviewed the CDE's school crime reporting validation methodology, reported on the appropriateness of the methodology and provided various recommendations.

The LAO found that the current reporting and validation methodology is fundamentally flawed and results in data that is not useful for the development of effective policy. In addition to recommending the that department review changes to the school crime reporting system to improve its accuracy and usefulness to policymakers and report its recommendations to the Legislature by March 2003, the LAO recommends that the Legislature suspend the mandates on schools and school districts associated with the school crime report, freeing up \$7.5 million (Proposition 98) funds for direct educational or campus safety services in the budget year.

Staff recommends that the committee adopt the LAO recommendation.

Subcommittee #1 Action:

2. May Revision Finance Letter: School Crime Report, 6110-004-0001, (Issue 350)

The May Revision proposes that this item be decreased by \$1,524,000 and that the item be eliminated. According to the Administration, federal funding in the same amount is proposed in Item 6110-001-0890 for school crime and truancy reporting requirements consistent with those specified in the federal No Child Left Behind Act of 2001.

The LAO, in its report, also recommends reducing the appropriation for the department's administrative costs but only to the level (approximately \$300,000) needed to conduct the review of reporting system improvements; (estimated General Fund savings: \$1.2 million).

Staff recommends that the committee reject the May Revision proposal and instead adopt the LAO proposal which would provide \$300,000 in state operations support.

Subcommittee #1 Action:

IV. Child Care and After School Programs

A. May Revision – Item 6110-196-0001. Child Care Survey (Issue 103). The Governor's May Revision proposes provisional language requiring the Department of Education and the Department of Social Services to administer a survey of current child care caseload, eligibility, fee, and reimbursement rate trends to update and adjust the information provided pursuant to the 2000 Budget Act. Staff recommends adopting the May Revision with the following language changes:

Add Provision 4(c) to Item 6110-196-0001 as follows:

4(c) The State Department of Education (SDE) and the State Department of Social Services (DSS) in consultation with the Department of Finance shall administer a survey of current child care practices and trends to update and adjust the information provided pursuant to Provision 8(c)(6) of Item 6110-196-0001 the 2000 Budget Act. A new survey tool along with the data collection methodology and target populations shall be developed by SDE and DSS, in consultation with the Legislative Analyst, and shall be approved by Department of Finance. SDE and DSS shall jointly complete the administration of the survey and the collection of the results. By October 15, 2002, the SDE and DSS shall make available to the Directors of DSS and the Department of Finance and the Legislative Analyst the complete data files to be used for analysis of child care policy. The costs of administering the survey, collecting survey data, and preparing an accurate data file will be funded from funds set aside for interim data collection in Provision 8(a) of this Item.

- B. **May Revision –Item 6110-197-0890. 21st Century Community Learning Centers(Issue 001).** The Governor’s May Revision proposes to expend \$41.3 million in new federal 21st Century Learning Center dollars, which will provide grants for before and after-school programs. Within the federal guidelines, the state has discretion regarding specifically how the new 21st Century program is designed; the program is proposed by the Governor to be administered, to the greatest extent possible, with the existing Before and After School Learning and Safe Neighborhoods Programs.

The provisional language proposed in the Governor’s May Revision is as follows:

Add Provision 1 to Item 6110-197-0890 as follows:

1. It is the intent that the 21st Century Community Learning Centers Program be closely aligned with the existing Before and After School Learning and Safe Neighborhoods Partnerships Program pursuant to Article 22.5 of Chapter 2 of Part 6 of Division 1 of the Education Code utilizing the existing grant caps and funding rate limits specified in that Article. The Department of Education shall seek the maximum waiver of federal rules in order to harmonize the federal funding consistent with the current state program. Expenditure of funds from this Item is contingent on the review and approval by the Department of Finance of a program plan, the Request for Applications (RFA) guidelines, and a draft RFA developed by the Department of Education in consultation with a task force consisting of the Legislative Analyst, the Department of Finance, one staff person from each house of the Legislature chosen by the Speaker of the Assembly and the President Pro-Tem of the Senate, and one representative of the field as selected by the other members of the task force.

The above-referenced provisional language has generated a variety of concerns within the California Department of Education. Since all parties have not yet been able to reach a compromise on this issue, staff recommends that the committee approve the expenditure authority for the program (\$41,254,000) and substitute provisional language stating that the program will be developed pursuant to legislation.

V. No Child Left Behind—ESEA Federal Funds

- A. **Longitudinal Database Development (6110-001-0001/0890) (Issue 252).** The May Revision proposes \$10.52 million for the development of a longitudinal database to track student academic progress for purposes of federal reporting requirements associated with the No Child Left Behind Act. The proposal includes provisional language which states:

Of the funds appropriated in this item, \$10,524,000 is for costs associated with the development of a longitudinal database and collection of required data. This database shall be used to track student progress for purposes of federal reporting requirements associated with the No Child Left Behind Act. The Department of Education must receive Department of Finance approval of an expenditure plan prior to expending these funds.

Staff recommends that the provisional language be rejected and the funding be approved, pursuant to legislation.

Subcommittee #1 Action:

- B. **Pupil Testing and Accountability - Title VI (6110-113-0890) (Issues 014, 016, 017, 018, 019, 020, 023, 024, 031, and 032).** The May Revision includes a number of proposals for the use of \$20.72 million in new Title VI funding. Specifically, the request includes the following:
1. \$10.924 million for a Title VI set-aside. These funds are available for activities related to developing and improving the statewide system of testing and accountability as more information is available regarding federal requirements pursuant to the No Child Left Behind Act. Use of these funds is contingent on prior approval of an expenditure plan by the Department of Finance.
 2. \$1.445 million to continue development of the Alternative Schools Accountability Model to include alternative schools within the State's system of accountability.
 3. \$500,000 in one-time funding to develop training materials and provide technical assistance to schools regarding statewide standards and assessments for pupils with disabilities.
 4. \$3 million in one-time funding to study and develop an alternative assessment for pupils who can not participate in the High School Exit Examination even with accommodations or modifications. Use of these funds would be contingent on prior approval from the Department of Finance of an expenditure plan.
 5. \$800,000 for development of the fifth-grade STAR science test to comply with the No Child Left Behind Act.
 6. \$1 million in one-time funding for the English Language Development Test. Of the total, \$500,000 is for a pilot program for a computer-based version of the exam. The remaining \$500,000 is for additional test item development.
 7. \$300,000 to develop Assessment Data Collection and Edit software to improve pupil demographic information collection on the statewide assessments.
 8. \$831,000 to provide growth funding for the STAR program.
 9. \$1.020 to provide a cost of living adjustment (COLA) for the STAR program.
 10. \$900,000 in one-time funding for an Assessments and Accountability Public Awareness Campaign Website to provide parents and the general public information regarding statewide standards, assessments, and accountability.

Staff recommends that this item be approved with the following changes: (A) delete funding shown in 10 above; (B) use these funds to increase funding in 1; and (C) adopt language stating that the funding in 1 is subject to 60-day notification to the Legislature.

Subcommittee #1 Action:

C. **Innovative Programs - Title V (6110-123-0890) (Issues 026, 028, 029, and 030)** . The May Revision makes several proposals for the use of \$78.874 million in new federal funding. Specifically, this request includes the following:

1. \$39.041 million to allocate to local educational agencies for innovative assistance programs pursuant to Section 5131 of the No Child Left Behind Act.
2. \$32.662 million in Comprehensive School Reform Demonstration funds redirected from Item 6110-136-0890.
3. \$7.081 million to reflect an increase in the federal Comprehensive School Reform Demonstration Program grant.
4. \$90,000 in carryover funds provided for innovative education programs pursuant to previous Title VI. Under the reauthorized Elementary and Secondary Education Act, Innovative Programs has been moved to Title V.

Staff recommends that the committee approve this item with language requiring 60-day notice.

Subcommittee #1 Action:

D. **Reading First Program - Title I, Part B (6110-126-0890) (Issue 001)**. The May Revision proposes \$131.1 million in federal Title I, Part B funds for the Reading First Program, with the following provisional language:

1. The funds appropriated in this item are for competitive grants to local education agencies. These funds may be used to select and administer reading assessments for students in grades K-3, inclusive, and to select and implement scientifically based programs of reading instruction for students in grades K-3, inclusive. These funds also may be used to provide standards-aligned professional development in the area of reading to teachers in grades K-3, inclusive, and to teachers in grades K-12, inclusive, who serve students with special needs.
2. Professional development activities funded with Reading First Program funds shall be conducted via the California Professional Development Institutes authorized pursuant to Article 2 (commencing with Section 99220) of Chapter 5 of Part 65 of the Education Code, and the Mathematics and Reading Professional Development Program authorized pursuant to Article 3 (commencing with Section 99230) of Chapter 5 of Part 65 of the Education Code or any other program approved by the State Board of Education.

Staff recommends that the committee reject the provisional language and approve the funding, pursuant to legislation.

Subcommittee #1 Action:

E. **Reading First Program Administration (6110-001-0001/0890) (Issue 251)**. The May Revision proposes \$1.873 million for administration of the new Reading First program. Of this amount,

1. \$873,000 to redirect 6.0 existing staff to assist in program administration,
2. \$500,000 for SDE to contract with the California State University-operated Center for the Improvement of Reading Instruction for assistance in incorporating Reading First Program methodologies into teacher preparation programs, and
3. \$500,000 for SDE to contract for annual evaluations of Program effectiveness.

Staff recommends that the committee approve the funding and reject provision 2.

Subcommittee #1 Action:

F. Immigrant/Bilingual Education/English Language Acquisition Program - Title III (6110-125-0890, 6110-125-0890, 6110-176-0890) (Issue 422)

Migrant Education (6110-125-0890, 6110-141-0890, Migrant Education) (Issue 430)

The May Revision proposes a number of changes in the area of immigrant, bilingual, and migrant education.

1. \$232.068 million in federal funding for Title III, Immigrant/Bilingual Education. Of this amount, \$1,500,000 is for development costs associated with the English Language Development Test.
2. \$116.585 million for federal Migrant Education funds. This action will appropriate all available federal funds and serve to more closely align the Title III English Language Acquisition program and the Migrant Education program with the student populations they serve, as intended by the federal government.
3. \$108.284 million for the Title III English Language Acquisition program pursuant to the No Child Left Behind Act. The Title III English Language Acquisition program combines funds previously funded through Title VII-Bilingual (direct to local education agencies) and the Emergency Immigrant Education program funds to provide local assistance to ensure that English language learners meet State academic standards.
4. Elimination of Item 6110-141-0890 (Migrant Education, \$116,585,000) and Item 6110-176-0890 (Emergency Immigrant Education, \$41,191,000) to conform to this action.

Staff recommends that the committee approve the funding, with the addition of language requiring 60-day notice.

Subcommittee #1 Action:

- G. Migrant Education Grant Increase (6110-125-0890) (Issue 431).** May Revision proposes an increase of \$5.669 million to reflect an increase in the federal Migrant Education grant. In addition, the following provisional language is proposed:

Provisions:

1. Of the funds appropriated in this item, the State Department of Education shall use no less than \$6,000,000 and up to \$7,100,000 for the California Mini-Corps Program.
2. The funding provided in Schedule (2) of this item shall be used in a manner that conforms to the intent of Education Code Sections 300-340 (Proposition 227).

Staff recommends that the committee approve the funding and reject the provisional language proposed in the May Revision.

Subcommittee #1 Action:

H. **Title I Basic Grants (6110-136-0890) (Issue 421 and 432).** The May Revision proposes an increase of \$290.822 million to reflect an increase in the federal Title I Basic grants. This proposal includes significant provisional language which would apply to all Title 1 funding, not just the increment of new funding:

7. Funds appropriated in schedule (1) from Title I Part A of the Elementary and Secondary Education Act shall be used by local education agencies to accomplish the objectives of the No Child Left Behind Act, consistent with the state consolidated application and any statutory provisions or provisions of this act that apply to the expenditure of these funds. To the extent allowed by federal law including the requirement to provide for parental involvement, funds shall be used to meet identified needs of recipient schools in the following priority order: 1) Planning for and compliance with any plan for remediation for a school upon which sanctions are imposed under the Public Schools Accountability Act or federal law. Funds shall be expended pursuant to a remediation plan approved by the State Board of Education under Sections 52054 and 52055.610 of the Education Code. 2) School improvement plans adopted under the Immediate Intervention/Under performing Schools, the High Priority Low Performing Schools or the Comprehensive School Reform programs. 3) Training of existing teachers to meet the state's standards for highly qualified teachers through the Alternative Certification (Intern) Program. 4) Recruitment and retention of highly qualified teachers. 5) Training of teachers to current state content standards in core subjects through the Math and Reading Professional Development Program, the Professional Development Institutes, or any other program approved by the State Board of Education. 6) Only after each school improves on the Academic Performance Index and all teachers in a local education agency meet state standards for highly qualified teachers and have received appropriate training in state standards-based instruction in all core subjects that they teach, may funds be used for all other purposes authorized under federal law. Each local education agency receiving funds from this item shall certify that its expenditure plan for these funds complies with these conditions and all applicable federal and state laws.
8. Of the funds appropriated in Schedule (1) of this item, \$22,600,000 shall be available for school improvement and intervention programs after federal regulations regarding Title 1, School Improvement Program are fully developed and an expenditure plan is approved by the State Board of Education.

Staff recommends that the committee approve the funding, reject provision 7 and adopt language requiring 60-day notice on funds under provision 8.

Subcommittee #1 Action:

I. **Rural and Low-Income School Program (6110-137-0890) (Issue 428).** The May Revision proposes \$2.426 million for a new federal program called the Rural and Low-Income School Program.

Staff recommends that the committee approve the funding, with the addition of language requiring 60-day notice.

Subcommittee #1 Action:

- J. **Increase Education Technology Local Assistance (6110-180-0890) (Issue 453).** The May Revision proposes an increase of \$28.939 million in federal funds for education technology program. Of that amount \$611,000 would be allocated to the California Technology Assistance Project (CTAP) to provide required technical assistance. The balance would be granted to local educational agencies.

The administration notes that the NCLB makes several changes to federal education technology programs. This act 1) eliminates the existing education technology program, 2) requires that 50 percent (\$41.175 million) of program funds be allocated on a formula basis to local education agencies (K-12) receiving Title I funds, 3) allocates the other 50 percent (\$41.175 million) on a competitive basis, 4) requires competitive grantees to use 25 percent (\$10.294 million) for professional development activities, and 5) allows the State to determine how the remaining 75 percent (\$30.881 million) of competitive grant funds are used.

The May Revision proposes using the discretionary funds for the existing program, which assists schools with planning and purchasing classroom computers for grades 4-8. The proposal includes the following provisional language:

1. The funds appropriated in this item are for allocation to school districts that are awarded formula or competitive grants pursuant to the federal ~~Technology Literacy Challenge~~ Enhancing Education Through Technology Grant Program. The State Board of Education shall review and approve any changes to the criteria and procedure used in the application and award of competitive grant funds during the 2001-02 fiscal year prior to the release by the Superintendent of Public Instruction of the application form to school districts. ~~The discretionary portion of competitive funding shall be used to continue the existing program, which assists schools with planning and purchasing classroom computers for grades 4-8.~~
2. Notwithstanding Provision 1, of the funds appropriated in this item, ~~\$850,000~~ \$1,461,000 is available to provide funding for the California Technology Assistance Project (CTAP) to provide federally-required technical assistance and to help districts apply for and take full advantage of the Fed

Staff recommends that the committee approve the funding, with provisional language as proposed by the California Department of Education.

Subcommittee #1 Action:

- K. **Teacher and Principal Training and Recruiting Fund - Title II, Part A (6110-195-0890) (Issues 001, 002, 003, 004, and 005).** The May Revision proposes \$317.026 million in federal Title II, Part A, funds for various purposes. These funds would be used as follows:

1. \$206.7 million for K-3 class size reduction
2. \$78.3 million for Mathematics and Reading Professional Development Program
3. \$30 million for the Teaching As A Priority Block Grant Program
4. \$1.6 million for the Principal Training Program

5. \$500,000 is unexpended Eisenhower Professional Development Program for any purposes delineated in Provisions 1 through 3 above.

Staff recommends that the committee specify that \$206.7 million is for K-12 class size reduction with priority to mitigate any costs in excess of current funding levels associated with operating an existing K-3 class size reduction program. Further, staff recommends that provision 5 be deleted and those funds redirect to Item 6110-194-0001 Schedule (3) to support professional development at the Exploratorium.

Subcommittee #1 Action:

Other Federal Funds:

M. Adult Education: Citizenship and Naturalization Services. 6110-156-0890. The U.S. Department of Education initiated a one time English Literacy and Civics Education program in federal fiscal year 2000 from set aside funds available from Title II of the Workforce Investment Act which is also known as the Adult Education and Family Literacy Act. (AEFLA). The purpose of this program is to provide integrated English and civics education services to immigrants and other limited English proficient populations and support projects that demonstrate effective practices in providing and increasing access to English literacy programs linked to civics education. The program was increased to \$21.1 million in federal fiscal year 2001.

Senators Chesbro and Polanco have requested consideration of Budget Bill Language to direct the Department to set aside \$5 million of English Literacy-Civics funding for an agreement with the Department of Community Services and Development to provide citizenship and naturalization services. The interagency agreement can include necessary federal requirements to assure that the funding requirements are met. The intention is to utilize an existing network of community based organizations that have since 1998 provide citizenship and naturalization services through performance-based contracts that include a local match, and payment upon completion of naturalization applications by participants. The Department of Community Services and Development has in place the capacity to monitor and support community based organizations to deliver these services cost-efficiently, and within state and federal guidelines. **(See Attachment #1).**

Subcommittee #1 Action:

VI. CDE State Operations (General Fund)

A. State Board of Education Oversight of Charter Schools, 6110-001-0001, (Issue 102)

The May Revision proposes that reimbursement authority be increased by \$130,000 to expend statutory reimbursements for oversight of charter schools that have been approved by the State Board of Education. It is also requested that position authority be provided for one Education Consultant position to be paid out of reimbursements or through the base allocation provided for oversight purposes.

Amend Provision 1 as follows:

- “1. An amount equal to or greater than the amount appropriated in Schedule (5) shall be available for support of the State Board of Education (SBE) and shall be directed to meet the policy priorities of

its members. Of the amount appropriated in this schedule, \$130,000 is to be directly allocated to the SBE to provide for statutory oversight of charter schools approved by the SBE. In addition, the State Department of Education is authorized to receive and expend statutory reimbursements of an amount estimated at \$130,000 for purposes of overseeing SBE-approved charter schools."

Staff recommends that the committee approve funding but redirect the funds to the California Department of Education.

Subcommittee #1 Action:

VII. CDE Local Assistance

- A. **May Revision – Item 6110-194-0001. Decrease Funding for Administrator Training and Evaluation Program and Exploratorium (Action Item).** The Governor's May Revision proposes to eliminate funding for the Administrator Training and Evaluation Program (\$1.6 million) and eliminate funding for the Exploratorium (\$1.5 million), with accompanying provisional language revisions. This amounts to a total reduction of \$3.1 million. Due to the availability of federal funds for a variety of teacher professional development opportunities, staff recommends that a portion (\$500,000) of the funding eliminated from the Exploratorium be restored using federal Title II, Part A Teacher and Principal Training and Recruiting Funds (6110-195-0890).

Subcommittee #1 Action:

- B. **Healthy Start.** The Governor's budget provides \$2,375,000 in support but no local assistance funds for the Healthy Start Support Services for Children Act (Healthy Start Initiative) for 2002-03. The base local assistance funding for this program in prior years had been \$39.0 million. The 2001-02 Budget Act had included \$39.0 million for this program but funding was ultimately reduced to 1.0 million by the November Revision reductions that were approved in January (Chapter 1, Statutes 2002, Third Extraordinary Session, SB 1xxx).

Collaborative planning grants of \$50,000 are awarded over a one- to two-year period and operational grants provide \$400,000 (\$100,000 for startup; \$300,000 for implementation) over a three- to five-year period. There are currently 120 grants in some stage of the planning process: 74 awarded in 2000-01 and 46 awarded in 1999-00. A subset of these grants would be ready to submit an application—and would qualify—for an implementation grant should funds be made available for this purpose in 2002-03. The Subcommittee at its May 8th hearing approved \$19.0 million (from unencumbered 2000-01 Budget Act Adult Education funds) to partially restore this program. The following language was adopted—but is to be amended as indicted below—to govern the funds distribution in a manner consistent with comparable grant programs, i.e. on a yearly basis versus the current multi-year "up-front" distribution.

"The amount appropriated in this item is for 2002-03 planning grants and the first year costs of operational grants awarded in 2002-03. It is the intent of the Legislature that the second year costs of operational grants awarded in 2002-03 be appropriated in the 2003-04 Budget and the third year costs for these grants be appropriated in the 2004-05 Budget. First priority for these funds shall be given to operational grants."

Staff recommends that the Subcommittee approve changes to provisional language shown above.

Subcommittee #1 Action:

C. Supplemental Instruction / Elementary School Intensive Reading Program. 6110-205-0001.

The Governor's budget includes \$30.5 million for the Elementary School Intensive Reading Program. This program, established by Chapter 2, Statutes of 1999, First Extraordinary Session (AB 2 Mazzoni) provides multiple, intensive reading opportunities for pupils in grades 1 through 4 and requires a school district, when expending these funds, to give first priority to increasing instructional opportunities for pupils who are experiencing difficulty learning to read. The program is funded on an hourly reimbursement rate with an intended model of 120 hours of instruction. The proposed funding rate as slightly adjusted by May Revision is \$3.44 per hour.

Many school districts have indicated that this funding rate requires student grouping that are too large to allow the most effective reading intervention and assistance. The result is that many school districts do not fully utilize the funding available to them under this program. A number of school districts officials have indicated that additional flexibility under this program would allow more effective use of existing funds.

The result is a pilot proposal within this program to allow the Superintendent of Public Instruction to authorize up to 20 school districts to receive their Elementary School Intensive Reading program funding as a block grant and provide those districts with flexibility in the use of those funds, provided they are used for the purposes of early reading instruction and intervention.

Add Provision 3 to Budget Bill
Item 6110-205-0001

3. Notwithstanding any other provision of law, the Superintendent of Public Instruction may authorize not more than twenty school districts to claim and implement funding appropriated by this item as a block grant for the purposes of providing intensive reading instruction to students in kindergarten and grades 1-4. The Superintendent shall select districts to reflect geographic distribution and include small, medium, and large districts. No district may receive more than the amount to which it is entitled pursuant to the cap for the Elementary School Intensive Reading Program, but the district shall receive that amount as a block grant rather than as an hourly reimbursement. As part of a district's application, a district may request and the State Superintendent may approve waivers of specific requirements of the Elementary School Intensive Reading program. Each participating district shall report data to the Superintendent in the form and in accordance with deadlines required by the Superintendent in order to report to the Legislature on the advantages and disadvantages of the block grant approach. The Legislative Analyst shall, in consultation with the California Department of Education, review the submitted data and report to the Legislature no later than March 31, 2003, on the advantages and disadvantages of the block grant approach and make recommendations to the Legislature regarding the continuation or modification of this budget language.

Staff recommends that the Subcommittee adopt the above provisional language.

Subcommittee #1 Action:

D. Parental Involvement Programs (AB 33) Reappropriation. The CDE is requesting that the current year funding for the Nell Soto Parent Teacher Involvement grant be reappropriated to the budget year.

6110-494 Reappropriation. Department of Education. 4. The unencumbered balance as of June 30, 2002, from subdivision (13) of Item 6110-485, budget Act of 2001 (Ch. 106, Stats. 2001) shall be available **only** for allocation to schools pursuant to Article 2 (commencing with Section 51120) of Chapter 1.5 of Part 28 of the Education Code (Nell Soto Parent/Teacher Involvement Program).

Staff recommends that the Subcommittee approve this proposal.

Subcommittee #1 Action:

- E. **Remedial Supplemental Instruction Programs 6110-104-0001, 6110-204-0001, and 6110-205-0001, (Issue 405).** This April Finance Letter, which the Subcommittee approved at its May 8th hearing, requested that provisional language in these items be amended to: (1) clarify that the authority granted by provisional language to transfer funds within the program schedule is in lieu of similar authority granted by Section 26.00, and (2) stipulate that any transfers shall be allowable only for the purpose of providing additional instructional hours. According to the Administration, these technical changes will allow SDE to more effectively administer the program, apportion funds, and address deficiency demands in a timely manner, as intended.

Staff recommends that this Item be reopened and the language be amended as follows:

Item 6110-104-0001

~~3. Notwithstanding Section 26 of this act, or any other provision of law,~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Director of Finance may transfer funding between schedules, to prevent deficiencies for instructional hours in any of the programs funded in this item. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision.

~~5. Notwithstanding any other provision of law~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision

Item 6110-204-0001

~~3. Notwithstanding any other provision of law,~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision

Item 6110-205-0001

~~2. Notwithstanding any other provision of law,~~ ***In addition to reallocations made pursuant to subdivision (d) of Section 42339 of the Education Code,*** the Department of Finance may transfer amounts between Items 6110-104-0001, 6110-204-0001, and 6110-205-0001 of this act in order to minimize deficiencies for instructional hours in any of the programs budgeted in those items. The Department of Finance shall notify the Joint Legislative Budget Committee of any transfers made pursuant to this provision

Subcommittee #1 Action:

F. Corrective Actions, 6110-123-0001, (Issues 006 and 007). The May Revision proposes that the Corrective Actions program be added and that \$6,000,000 in expected Immediate Intervention/Underperforming Schools Program savings be transferred from Schedule (1) to this program for costs associated with School Intervention and Assistance Teams. It is also requested that provisional language be added as follows:

Pursuant to legislation enacted during the 2001-02 Regular Session, the funds appropriated in Schedule (4) shall, upon approval by the State Board of Education, be available to support schools working with School Assistance and Intervention Teams as part of the Immediate Intervention/Underperforming Schools Program.

The LAO has proposed additional language to create a separate schedule for these funds and to allow the funds to be transferred between schedules.

Staff recommends that the Subcommittee adopt the LAO recommendation.

Subcommittee #1 Action:

G. Charter School Categorical Block Grant, 6110-211-0001 (Issue 353). The May Revision proposes that this item be reduced by \$2,354,000. The adjustment reflects revised estimates of charter school ADA and an Administration proposal to fund the item based on a one-year lag in Proposition 98 appropriations. (The DOF has proposed trailer bill language to effect this change—See Agenda Item VIII Trailer Bill Language, Sections 3 and 4)

Staff recommends that the Subcommittee approve this proposal.

Subcommittee #1 Action:

H. Advancement Via Individual Determination (AVID) (Issue 602).

May Revision proposes to reduce this item by \$6,300,000, from \$12,300,000 to \$6,000,000

The DOF has since provided language to specify the effect of this reduction:

1. Of the funds appropriated, ~~\$1,300,000~~ 1,000,000 is available for administration of the Advancement Via Individual Determination (AVID) centers and ~~\$6,000,000~~ 5,000,000 is available for competitive outreach grants to local education agencies for the AVID program. Notwithstanding any other provision of law, the remaining \$5,000,000 shall be used solely for the provision of Advanced Placement teacher training or tutoring services, pursuant to Section 52247 of the Education Code.

Staff recommends that the Subcommittee adopt the above provisional language.

Subcommittee #1 Action:

I. Low Performing Schools, 6110-123-0001 (3). As part of the current year, November Revision reductions that were enacted by Chapter 1, Statutes of 2002, Third Extraordinary Session, (SB 1xxx (Peace)) the Low Performing (High Priority) Schools Program was reduced from \$197 million to \$38 million. Of the \$38 million, \$18 million was earmarked for planning grants, up to \$50,000, for schools in decile 1, with first priority to those applicants that also applied for participation, as specified, in the federal Comprehensive School Reform Demonstration (CSRD) program. The remaining \$20 million was similarly earmarked for schools in decile 2. The entire \$18 million was encumbered but a number of decile 1 schools did not receive funding. The request for application (RFP) for the \$20 million for decile 2 schools has yet to be developed. The Administration proposed to “capture” this \$20 million in current year savings for expenditure on other Administration priorities.

Staff recommends that the Subcommittee reject this proposal.

Subcommittee #1 Action:

VIII. Special Education

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A. Special Education, 6110-161-0001, (Issues 100, 101, 102, 103, 104, 105, and 106)

(Technical “post” Finance Letter changes in bold)

The May Revision proposes that this item be amended to decrease the Proposition 98 General Fund for the Special Education program by \$3,782,000. According to the Administration, this adjustment is necessitated primarily by a larger than previously estimated increase in the average daily attendance used to compute the Special Education entitlement, resulting in \$10,302,000 needed to increase Special Education growth from 1.11 percent to 1.40 percent. It is also the result of a current year base adjustment of \$177,000, and an augmentation of \$155,000 to provide funding for Necessary Small Special Education Local Plan Areas (SELPAs) with declining enrollment pursuant to Chapter 551, Statutes of 2001 (AB 303). These increases are reduced by \$1,172,000 to reflect an increase in property tax revenues and further reduced by \$5,075,000 to decrease the COLA from 2.15 percent to 2.00 percent. It is also the result of an increase of ~~\$8,169,000~~ **\$6,332,000** in the amount of federal funds available for use as an offset to the General Fund.

The May Revision proposes to add provisional language to Item 6110-161-0001 to specify that of the amount provided in Schedule (1), ~~\$23,260,000~~ **\$10,946,000** shall be appropriated to first ensure full funding for the special education instruction, including pre-school as funded in Schedules (1) and (2) in the 2002-03 fiscal year. Once the Superintendent of Public Instruction has determined that none of the programs funded in Schedules (1) and (2) require any additional funding pursuant to the statutory formulas contained in Chapter 854, Statutes of 1997 (AB 602), the remaining amount shall be allocated on a per ADA basis pursuant to Section 56836.158 of the Education Code. This provision conforms to trailer bill language attached to this letter amending Education Code Section 56836.158

The May Revision also proposes that the provisional language in Item 6110-161-0001 be amended as follows:

- “2. Of the funds appropriated in Schedule (1) of this item, ~~\$10,764,000~~ **\$10,829,000**, plus the COLA, shall be available for the purchase, repair, and inventory maintenance of specialized books, materials, and equipment for pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code.

3. Of the funds appropriated in Schedule (1) of this item, ~~\$8,222,000~~ \$8,272,000, plus the COLA, shall be available for the purposes of vocational training and job placement for special education pupils through Project Workability I pursuant to Article 3 (commencing with Section 56470) of Chapter 4.5 of Part 30 of the Education Code. As a condition of receiving these funds, each local educational agency shall certify that the amount of nonfederal resources, exclusive of funds received pursuant to this provision, devoted to the provision of vocational education for special education pupils shall be maintained at or above the level provided in the 1984-85 fiscal year. The Superintendent of Public Instruction may waive this requirement for local educational agencies that demonstrate that the requirement would impose a severe hardship.
4. Of the funds appropriated in Schedule (1) of this item, ~~\$4,289,000~~ \$4,315,000, plus the COLA, shall be available for regional occupational centers and programs that serve pupils having disabilities, and ~~\$72,186,000~~ \$72,647,000, plus the COLA, shall be available for regionalized program specialist services, including ~~\$1,742,000~~ \$1,741,000, plus the COLA, for small special education local plan areas (SELPAs) pursuant to Section 56836.24 of the Education Code.
6. Of the funds appropriated in Schedule (1), a total of ~~\$125,173,000~~ \$114,756,000, plus the COLA, is available to fully fund the costs of children placed in licensed children's institutions who attend nonpublic schools.
7. Of the amount appropriated in Schedule (2) of this item, ~~\$764,000~~ \$964,000, plus the COLA, shall be available for infant program growth units (ages birth-two years). Funds for infant units shall be allocated pursuant to Provision 11 of this item, with the following average number of pupils per unit:
 - (a) For special classes and centers—16.
 - (b) For resource specialist programs—24.
 - (c) For designated instructional services—16.
11. Of the amount provided in Schedule (1), ~~\$76,012,000~~ \$72,433,000 is provided for a COLA at a rate of ~~2.15~~ 2.00 percent.
12. Of the amount provided in Schedule (2), ~~\$1,496,000~~ \$1,400,000 is provided for a COLA at a rate of ~~2.15~~ 2.00 percent.”

In addition, the following provisional language is requested to be added:

Of the amount provided in Schedule (1), \$155,000 plus the COLA, shall be available to fully fund the declining enrollment of necessary small SELPAs, pursuant to Chapter 551, Statutes of 2001 (AB 303).

Of the amount provided in Schedule (1) of this item, \$10,946,000 shall be appropriated in the following priority sequence:

- (a) The Superintendent of Public Instruction shall allocate any additional amount, if needed, to augment the amounts appropriated in Schedules (1) and (2) of this item to ensure full funding for the 2002-03 fiscal year. Once the Superintendent of Public Instruction has determined that none of the programs in Schedules (1) and (2) of this item require any additional funding pursuant to the statutory formulas contained in Chapter 854, Statutes of 1997 (AB 602), the remaining amount shall be allocated pursuant to Section 56836.158 of the Education Code.

Subcommittee #1 Action:

B. Adjustments for Increases in Federal Individuals with Disabilities Education (IDEA)—Part B Grant for Special Education, 6110-161-0890, (Issues 126, 127, 128)

It is requested that this item be increased by \$18,106,000 to account for a \$19,026,000 increase in IDEA federal funds, and a \$920,000 reduction in one-time special education federal fund expenditures.

It is also requested that Provision 2 in this item be amended to reflect a technical change in the reference to the federal special education funding formula.

It is also requested that Schedule (4) in this item be decreased by \$920,000 to reflect a reduction of \$420,000 in one-time funds provided in 2001-02 for costs associated with LCI and NPS mediated settlements from prior years, and to reflect a reduction of \$500,000 resulting from less than anticipated program expenditures for emergency impaction funds for SELPAs serving students previously served by a closed non public school operating at a licensed children's institute.

It is also requested that the provisional language in Item 6110-161-0890 be amended as follows:

- “1. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state exceed ~~\$762,300,000~~ \$781,663,000, at least 95 percent of the funds received in excess of that amount shall be allocated for local entitlements and to state agencies with approved local plans. Five percent of the amount received in excess of ~~\$762,300,000~~ \$781,663,000 may be used for state administrative expenses. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state are less than ~~\$762,300,000~~ \$781,663,000, the reduction shall be taken in capacity building.
2. The funds appropriated in Schedule (2) shall be distributed to state-operated programs serving disabled children from 3 to 21 years of age, inclusive. In accordance with federal law, the funds appropriated in Schedules (1) and (2) shall be distributed to local and state agencies on the basis of an equal amount per eligible, identified pupil the federal IDEA permanent formula.”

In addition, the following provisional language is requested to be added:

14. Of the funds appropriated in Schedule (4), up to \$500,000 shall be available in fiscal year 2002-03 for a special education local plan area that may apply for emergency impaction funds under this provision and pursuant to Section 56836.18 of the Education Code in the event a court of appropriate jurisdiction orders or advises the closure of a nonpublic, nonsectarian school operating at a licensed children's institution and the special education local plan area, in which the licensed children's institution is located is required to provide for special education and related services to individuals with exceptional needs who have been enrolled in the nonpublic, nonsectarian school at the time of closure. For pupils placed in the LCI/NPS pursuant to a court order, the special education local plan area shall be eligible to apply for reimbursement of actual costs under this provision for up to one-half the costs per pupil for which the nonpublic, nonsectarian school was previously reimbursed in the most recent fiscal year for which data is available. This provision shall apply to a maximum of one nonpublic, nonsectarian school operating at a licensed children's institution, and shall apply only to a school which closes as a result of a court order or advisory. Any special education local plan area receiving funds appropriated pursuant to this provision shall report to the State Department of Education, the Department of Finance, and the Legislative Analyst's office by April 15, 2003, regarding the services provided to students through this pilot and the performance outcomes for students, including, but not limited to, a summary of STAR test scores for students and any alternate assessments used to measure the achievement of special education students.

Staff Note: The Subcommittee adopted similar, but narrower language during its May 8th hearing regarding provision #14, above. DOF does not object to the Subcommittee's language.

Of the amount provided in Schedule (1), the CDE is requesting the following, additional, state operations items:

1. Data Integration System FSR

\$1,000,000

\$1 million is requested to develop and implement an integrated data system for special education that incorporates data from *all* monitoring sources. This system is needed if the Department is to meet its required monitoring activities within existing staffing and budget resources; it will also enhance the Department's ability to provide comprehensive information to local, state, and federal policymakers on how school districts are serving students with disabilities. The funds would be set aside contingent upon approval of an FSR, which is on track for completion this December 2002. Delaying implementation of the system will severely hamper the Department's ability to meet workload requirements.

2. Universal Design Digital Textbook Pilot

500,000

To more efficiently and effectively meet its mandate of providing *accessible* instructional materials to students with disabilities, CDE is collaborating with the Center for Applied Special Technology (CAST) to pilot the use of universally designed (digitized) state-adopted instructional materials in the middle grades. With the required passage of the California High School Exam, the state should immediately explore ways to provide students with disabilities quicker access to the standards-based core curriculum and thereby increase the percentage of students passing high stakes tests. The pilot might also result in cost-savings. To support the pilot, \$500,000 is requested to train educators in the use of universally designed digital textbooks, and to evaluate the project for statewide use.

3. Alternative Hearing Process (Ch 591/00)

700,000

The current cost of state due process hearings has increased dramatically in recent years, challenging the state to explore alternative and potentially less costly and more effective ways to provide due process. In 2000, the Legislature passed and the Governor signed AB 2321 (Ch 591/2000), which authorized a three-year pilot project for alternative due process hearing procedures conducted by local SELPAs. This pilot, however, has never been funded. \$700,000 is requested to fund this pilot.

4. California Youth Authority / CSU San Bernardino Contract: Administrative Costs. The 2001-02 Budget Act provided \$250,000 to the CDE for allocation, through an interagency agreement, to CSU San Bernardino, Center for the Study of Correctional Education, for special education monitoring of, and technical assistance for, the California Youth Authority pursuant to legislation (Chapter 536, Statutes of 2001--SB 505, Perata), as enacted in the 2000-01 Regular Session. The Governor's proposed 2002-03 budget (Item 6110-001-0890 (17)) continues this funding in the budget year. In late April, CDE informed the CSU Center that the department would need to retain 21 percent of the \$250,000 to cover administrative overhead expenses. The CSU Center states that it cannot implement the current (agreed upon, but not signed) contract without the full \$250,000 as specified in SB 505. Meanwhile, there have been limited monitoring and technical assistance services provided to CYA by CDE in the fiscal year. The department estimates the cost to cover the additional, administrative costs for each fiscal year is \$52,500. The following provisional language is suggested to effect this additional distribution of federal funds:

Amend Item 6110-001-0890 (17) to read:

17. Of the funds appropriated in the item ~~\$250,000~~ \$302,500 shall be allocated by the Department of Education to California State University, San Bernardino, Center for the Study of Correctional Education, for special education monitoring and technical assistance for the California Youth Authority pursuant to Chapter 536, Statutes of 2001.

5. Family Empowerment Centers. The Governor's 2002-03 budget proposes \$2.4 million to establish Family Empowerment Centers (FECs) on Disabilities pursuant to Chapter 690, Statutes of 2001 (SB 511, Alpert). Funds for this measure were made available by a Governor veto of an equal amount of federal ESEA capacity building funds from the 2001-02 Budget Act.

These centers provide parent training and resource referral enabling parents with special needs children to better access educational services and improve outcomes for their children. FECs can serve families of children with special needs from ages three through 21. Since state-funded Family Resource Centers serve children with disabilities up to age three, FECs complete a seamless system of family support for children from birth through age 21.

While the 12 centers funded in the 2001-02 Budget Act are geographically disbursed throughout the state, many regions are without a center leaving numerous parents without services or requiring parents to travel great distances to access FEC services. Senator Alpert is advocating that an additional \$1.7 million in new federal IDEA (special education) funds be set aside to fund eight additional centers (\$1.6 million) and increase support for the FEC hub (\$100,000).

Subcommittee #1 Action: Staff recommends approval of #1, #4 and #5

IX Restorations and Additional Reductions

Please refer to spreadsheet to be distributed during the committee hearing.

X. Trailer Bill Language

- A. **May Revision Trailer Bill Amendments.** Following is a list of Education Trailer Bill provisions requested by the Department of Finance, with accompanying staff recommendations:

Section 1--Child Care Eligibility Methodology--Add new section to authorize the Department of Social Services in conjunction with the Department of Finance to develop and implement a new methodology for adjusting income eligibility levels and family fee schedules. (ECS 8263.1) Staff recommends that DOF's proposed language be denied and that any changes to subsidized child care eligibility or family fee schedules be implemented in separate legislation, that is evaluated by the policy committees.

Section 2--PAR Funding Rates--Add new section to amend statutes for the Peer Assistance and Review (PAR) to reduce each district's funding rate by 50 percent of the 2000-01 fiscal year rates. The 50 percent reduction would result in an additional \$17 million in savings, which would be allocated as specified. (ECS 44506.5). Staff notes that Trailer Bill language is not necessary to implement the reduction in PAR program funding rates (as illustrated by the current year reductions implemented in SBX3 1) and the California Department of Education has expressed concerns that the language would result in uneven distribution impacts. As a result, staff recommends that any

programmatic changes to the funding mechanism for the PAR program be forwarded to policy committee for consideration. As an alternative, the committee could adopt the following Budget Bill Language to ensure that the reduced appropriation is equitably distributed among districts:

Item 6110-193-0001.

Notwithstanding Sections 44505 and 44506 of the Education Code, the Superintendent of Public Instruction shall reduce the rate of apportionment provided to school districts for the Peer Assistance and Review Program proportional to the amount of funding provided under Schedule (5).

Sections 3 and 4--Charter Categorical Block Grant Calculation--Add new section to revise the calculation of the growth factor for the Charter School Categorical Block Grant to reflect a one-year lag. (ECSs 47634 & 47634.5). Staff recommends that this issue conform to prior action to accept the proposed reduction in this item.

Section 5--School Assistance Teams/State Takeover-- Add new section to authorize / clarify timelines for low performing schools that are subject to sanctions and specify the funding to be made available for Schools Assistance Teams, School Management teams and schools subject to sanctions. (ECSs 52055.51 –52055.54) Staff recommends that this issue be referred to the policy committee for consideration.

Section 6--Special Education Funding Rates--Add new section to allow special education local plan areas to receive funds provided to permanently increase the amount per unit of average daily attendance in the 2002-03 fiscal year (ECS 56836.158). Staff recommends that this issue be referred to the policy committee for consideration.

Section 7--COLA Factor Update--Amend SEC. 18 of the proposed 2002 Education Trailer Bill (RN 020653) to reflect the revised COLA factors provided in the May Revision. Staff recommends adoption of the language.

- B. Targeted Instructional Improvement Block Grant.** This section stipulates that through the new block grant, school districts would receive at least the amount of funding provided in 2000-01 within the former categorical programs (court-ordered and voluntary desegregation programs). (EC §54201)

Fiscal: This provision maintains the existing allocation formula, and has no overall fiscal impact on the program budget (the budget does not anticipate any costs or savings by codifying the allocation formula).

Staff Note: The Subcommittee approved this trailer bill language in concept on May 8th with the understanding that CDE and DOF would work out a technical issue. Per an agreement between CDE and DOF, the following sentence is to be added to the DOF proposed trailer bill language: **“For the 2001-02 fiscal year, and each fiscal year thereafter, the total amount a school district shall receive in any fiscal year shall be at a minimum to the total amount it received in the 2000-01 fiscal year adjusted annually pursuant to Section 42238.1**

Staff recommends that the Subcommittee adopt the above language.

Subcommittee #1 Action:

- C. **Basic Aid Districts: Pupils Transferred for Desegregation.** Under desegregation court order, pupils in the Ravenswood School Districts are allowed to transfer to a number of surrounding school districts, including several that receive state funding in their revenue limit that is limited to the Constitutionally mandated “basic aid” of \$120 per pupil. Since 1995, basic aid school districts that receive children under the desegregation order have been allowed to receive 70% of the state revenue limit funding that would have been paid to their home district if they had not transferred. When state funding for desegregation was converted last year to the Targeted Instructional Improvement Grant, the statute authorizing the 70% payment was repealed along with the other desegregation provisions. This proposed language restores authorization for the 70% payment, thereby maintaining existing allocations (no new or increased costs) and allowing the court-ordered plan to proceed without fiscal penalty to the districts receiving pupils. Staff recommends approval of the language for inclusion in the trailer bill.

For any basic aid district that was entitled to reimbursement pursuant to subdivision (h) of Section 42247.4 of the Education Code as it read on January 1, 2001 and in which a court order directs pupils to transfer to that district as part of the court-ordered voluntary pupil transfer program, the Superintendent of Public Instruction commencing with the 2001-02 fiscal year, shall calculate an apportionment of state funds for that basic aid district that provides 70 percent of the district revenue limit calculated pursuant to Section 42238 that would have been apportioned to the school district from which the pupils were transferred for the average daily attendance of any pupils credited under that court order who did not attend the basic aid school district prior to the 1995-96 fiscal year. For purposes of this subdivision, the term "basic aid district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.

Staff recommends that the Subcommittee adopt the above language.

Subcommittee #1 Action:

- D. **Basic Aid District Students Attending a Non-Basic Aid District Charter School.** Chapter 586, Statutes of 2001, (SB 955, Alpert) limits—to the lesser of the charter school’s revenue limit or the basic aid district’s property tax per pupil—the amount of property tax transferred in support of pupils who reside in a basic aid district, but attend a charter school in a non-basic aid district. The purpose of this funding adjustment was to ensure fiscal neutrality for the state and, as a result, potentially save the state an estimated \$1 million (Proposition 98) per 220 students.

A basic aid district is a school district in which the amount of property taxes exceeds its revenue limit. These districts, numbering 61 in 1999-00, may retain the excess funds and still receive the state General Fund basic aid of \$120 per ADA (or minimum \$2,400 per district).

Due to lack of comprehensive data regarding the number of basic aid district students attending charter schools in non-basic aid districts, or how many basic aid districts have charter schools outside their district, the CDE has not implemented, and the Governor’s Budget does not assume, any General Fund (Proposition 98) savings pursuant to the implementation of SB 955.

Assembly staff, in collaboration with the CDE, has proposed SB 955 “cleanup” trailer bill language that would impose a three-year (30-50-70 percent) phase-in of SB 955 to ultimately implement a 70 percent in-lieu property tax transfer (marginal cost formula) for basic aid districts. (See Attachment #2).

Subcommittee #1 Action:

Proposed Current Year Legislation. The Governor's May Revision proposes to "defer" a variety of Proposition 98 expenditures from the current year to the beginning of the 2002-03 fiscal year (which begins on July 1). In most cases, this deferral will result in payments being made approximately one month after the originally-expected date. In order to defer these expenditures, the Governor's May Revision proposes to introduce current-year urgency legislation to both reduce the expenditure levels of specified programs in the current year and appropriate those dollars in the budget year. Staff notes that these changes will occur in separate legislation and recommends that the committee adopt this shift "in concept" pending legislation.

Attachment #1

Adult Education:

6110-156-0890

1. Of the funds appropriated in this item, \$5,000,000 shall be used for adult basic education for citizenship and naturalization services for legal permanent residents who are eligible for naturalization.

Citizenship and naturalization services shall include, for this purpose, to the extent consistent with federal law, all of the following: (a) outreach services; (b) assessment of skills; (c) naturalization preparation and assistance; (d) instruction and curriculum development, including referral to other services; and (e) advocacy and follow-up services. The providers of the citizenship and naturalization services, for the purposes of this provisions, shall be those as defined by applicable federal law.

The Department shall provide \$5 million by contract to the Department of Community Services and Development. The funds shall be used to award grants for naturalization services consistent with services provided through Item 4700-101-0001 of this Act. All awards shall be made in accordance with federal law. Administration of these funds shall include the principles of performance-based contracts with community based organizations, and provision of local match amounts, consistent with existing program operation by the Department of Community Services and Development.

Funds provided to community agencies under this provision shall be reimbursed at up to \$350/participant/year, based on cost and the satisfactory provision of performance reporting required by the Department of Community Services and Development.

Attachment #2

SB 955 Clean-up Trailer Bill Language

SEC 1.

Section 47632 of the Education Code is amended to read:

47632. For purposes of this chapter, the following terms shall be defined as follows:

(a) "General-purpose entitlement" means an amount computed by formula set forth in Section 47633 beginning in the 1999-2000 fiscal year, which is based on the statewide average amounts of general purpose funding from those state and local sources identified in Section 47633 received by school districts of similar type and serving similar pupil populations.

(b) "Categorical block grant" means an amount computed by the formula set forth in Section 47634 beginning in the 1999-2000 fiscal year, which is based on the statewide average amounts of categorical aid from those sources identified in Section 47634 received by school districts of similar type and serving similar pupil populations.

(c) "General-purpose funding" means those funds that consist of state aid, local property taxes, and other revenues applied toward a school district's revenue limit, pursuant to Section 42238.

(d) "Categorical aid" means aid that consists of state or federally funded programs, or both, which are apportioned for specific purposes set forth in statute or regulation.

(e) "Educationally disadvantaged pupils" means those pupils who are eligible for subsidized meals pursuant to Section 49552 or are identified as English learners pursuant to subdivision (a) of Section 306, or both.

(f) "Operational funding" means all funding except funding for capital outlay.

(g) "School district of a similar type" means a school district that is serving similar grade levels.

(h) "Similar pupil population" means similar numbers of pupils by grade level, with a similar proportion of educationally disadvantaged pupils.

(i) "Sponsoring local educational agency" means the following:

(1) In the cases where a charter school is granted by a school district, the sponsoring local educational agency is the school district, *except as provided in paragraph (5)*.

(2) In cases where a charter is granted by a county office of education after having been previously denied by a school district,

the sponsoring local educational agency means the school district that initially denied the charter petition, ***except as provided in paragraph (5).***

(3) In cases where a charter is granted by the State Board of Education after having been previously denied by a local educational agency, the sponsoring local educational agency means the local educational agency designated by the State Board of Education pursuant to paragraph (1) of subdivision (k) of Section 47605 or if a local educational agency is not designated, the local educational agency that initially denied the charter petition, ***except as provided in paragraph (5).***

(4) For pupils attending county-sponsored charter schools who are eligible to attend such schools solely as a result of parental request pursuant to subdivision (b) of Section 1981, the sponsoring local education agencies means the pupils' school districts of residence, ***except as provided in paragraph (5).***

(5) For only the purpose of transferring amounts in-lieu of property taxes as provided in Section 47635, for pupils who reside in and are otherwise eligible to attend school in a basic aid school district, but who attend a charter school authorized by a non-basic aid district or county office of education, the sponsoring local educational agency is the basic aid district.

(j) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.

SEC. 2

Section 47635 of the Education Code is amended to read:

47635. (a) A sponsoring local educational agency, **other than those defined in paragraph (5) of subdivision (i) of Section 47632**, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(b) For fiscal year 2002-03, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by thirty (30) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(c) For fiscal year 2003-04, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by fifty (50) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(d) Commencing with the 2004-05 fiscal year, a sponsoring local educational agency, as defined in paragraph (5) of subdivision (i) of Section 47632, shall annually transfer to each of its charter schools funding in lieu of property taxes equal to the lesser of the following two amounts:

(1) The average amount of property taxes per unit of average daily attendance, including average daily attendance attributable to charter schools, received by the local educational agency, multiplied by the charter school's average daily attendance, multiplied by seventy (70) percent.

(2) The statewide average general-purpose funding per unit of average daily attendance received by school districts, as determined by the State Department of Education, multiplied by the charter school's average daily attendance in each of the four corresponding grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and grades 9 to 12, inclusive.

(e) The sponsoring local educational agency shall transfer funding in lieu of property taxes to the charter school in monthly installments, by no later than the 15th of each month.

(1) For the months of August to February, inclusive, a charter school's funding in lieu of property taxes shall be computed based on

the amount of property taxes received by the sponsoring local educational agency during the preceding fiscal year, as reported to the Superintendent of Public Instruction for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to the charter school the charter school's estimated annual entitlement to funding in lieu of property taxes as follows:

- (A) Six percent in August.
- (B) Twelve percent in September.
- (C) Eight percent each month in October, November, December, January, and February.

(2) For the months of March to June, inclusive, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the fiscal year, as reported to the Superintendent of Public Instruction for purposes of the first principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to one-sixth of the difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraph (1). An additional one-sixth of this difference shall be included in the amount transferred in the month of March.

(3) For the month of July, a charter school's funding in lieu of property taxes shall be computed based on the amount of property taxes estimated to be received by the sponsoring local educational agency during the prior fiscal year, as reported to the Superintendent of Public Instruction for purposes of the second principal apportionment. A sponsoring local educational agency shall transfer to each of its charter schools an amount equal to the remaining difference between the school's estimated annual entitlement to funding in lieu of property taxes and the amounts provided pursuant to paragraphs (1) and (2).

(4) Final adjustments to the amount of funding in lieu of property taxes allocated to a charter school shall be made in February, in conjunction with the final reconciliation of annual apportionments to schools.

~~(5) Subdivision (a) and paragraphs (1) to (4), inclusive, of subdivision (b) do not apply for pupils who reside in, and are otherwise eligible to attend a school in, a basic aid school district, but who attend a charter school in a nonbasic aid school district. With regard to these pupils, the sponsoring basic aid district shall transfer to the charter school an amount of funds equivalent to the revenue limit earned through average daily attendance by the charter school for each pupil's attendance, not to exceed the average property tax share per unit of average daily attendance for pupils residing and attending in the basic aid~~

~~district. The transfer of funds shall be made in not fewer than two installments at the request of the charter school, the first occurring not later than February 1 and the second not later than June 1 of each school year. Payments shall reflect the average daily attendance certified for the time periods of the first and second principal apportionments, respectively. The Superintendent of Public Instruction may not apportion any funds for the attendance of pupils described in this subdivision unless the amount transferred by the basic aid district is less than the revenue limit earned by the charter school, in which event the Superintendent of Public Instruction shall apportion the difference to the charter school from state funds.~~

SEC. 3

Section 47663 of the Education Code is amended to read:

47663. (a) For a pupil of a charter school sponsored by a basic aid school district who resides in, and is otherwise eligible to attend, a school district other than a basic aid school district, the Superintendent of Public Instruction shall apportion to the sponsoring school district an amount equal to 70 percent of the revenue limit per unit of average daily attendance that would have been apportioned to the school district that the pupil resides in and would otherwise have been eligible to attend.

(b) A district that loses basic aid status as a result of transferring property taxes to a charter school or schools pursuant to Section 47635 shall be eligible to receive a pro rata share of funding provided by subdivision (a), with the proration factor calculated as the ratio of the following:

(1) The amount of property taxes that the district receives in excess of its total revenue limit guarantee, prior to any transfers made pursuant to Section 47635.

(2) The total amount of property taxes transferred pursuant to Section 47635 to the charter school or schools that it sponsors.

~~—(c) The Superintendent of Public Instruction may not apportion funds for the attendance of a pupil in a charter school of a nonbasic aid school district who resides in, and is otherwise eligible to attend school in, a basic aid school district unless the pupil is subject to the exception set forth in paragraph (5) of subdivision (b) of Section 47635.~~

~~(d)~~ (c) For purposes of this section, "basic aid school district" means a school district that does not receive from the state, for any fiscal year in which the subdivision is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238.